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January 18, 2007

FLORENCE P. BELSER
GENERAL COUNSEL

VIA EFILING AND HAND DELIVERY

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Application of Neutral Tandem-South Carolina, LLC for a Certificate of Public Convenience and Necessity to Provide Local Exchange and Interexchange Telecommunication Services in South Carolina and for Flexible and Alternative Regulation.
Docket No. 2006-329-C

Dear Mr. Terreni:

Enclosed for filing please find the original and one (1) copy of the Settlement Agreement in the above referenced matter. Please date stamp the extra copy enclosed and return it to me in the envelope provided.

Please note that the attached documents are exact duplicates, with the exception of the form of the signature, of the e-filed copy submitted to the Commission in accordance with its electronic filing instructions.

Do not hesitate to let me know if you have any questions.

Sincerely,


C. Lessie Hammonds

CLH/pjm
Enclosures

cc: Bonnie D. Shealy, Esquire
Patrick D. Crocker, Esquire
Margaret Fox, Esquire

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2006-305-C

January 18, 2007

IN RE:

Application of Neutral Tandem-South)
Carolina, LLC for a Certificate of Public)
Convenience and Necessity to Provide)
Local Exchange and Interexchange)
Telecommunications Services in South)
Carolina and for Flexible and Alternative)
Regulation)

SETTLEMENT AGREEMENT

This Settlement Agreement ("Settlement Agreement") is made by and among the Office of Regulatory Staff ("ORS") and Neutral Tandem-South Carolina LLC ("Neutral Tandem" or "the Company") (collectively referred to as the "Parties" or sometimes individually as "Party");

WHEREAS, on October 23, 2006, Neutral Tandem filed an application requesting (i) a Certificate of Public Convenience and Necessity be granted to provide resold and facilities based local exchange and interexchange telecommunications services throughout the State of South Carolina; (ii) flexible regulation for its local exchange telecommunications services consistent with Commission Order No. 98-165 in Docket No. 97-476-C; (iii) alternative regulation of its long distance business services, consumer card services, operator services, and private line service offerings consistent with Order Nos. 96-1734 and 96-55 as modified by Order No. 2001-997; (iv) waiver of Commission

regulations 103-610 and 103-631; and (v) a waiver of any requirements to maintain books and records pursuant to the Uniform System of Accounts (“USOA”).

WHEREAS, on October 23, 2006, Neutral Tandem also filed a Motion for Protective Treatment of Exhibits D and E to its Application;

WHEREAS, on October 26, 2006, counsel for ORS entered a notice of appearance in this matter;

WHEREAS, on October 30, 2006, the Public Service Commission of South Carolina (the “Commission”) issued a notice of hearing and set return dates for the hearing in the above captioned matter scheduled to be heard before a Hearing Examiner on January 29, 2007;

WHEREAS, on November 14, 2006, the Commission appointed David Butler, Esquire as the Hearing Examiner for this matter;

WHEREAS, on November 29, 2006, the South Carolina Telephone Coalition (“SCTA”) filed a Petition to Intervene;

WHEREAS, on December 6, 2006, SCTA and Neutral Tandem filed a stipulation with the Commission;

WHEREAS, on December 14, 2006, Neutral Tandem pre-filed testimony of Ron Gavillet with the Commission;

WHEREAS, the purpose of this proceeding is to review the application filed by Neutral Tandem and its request for a Certificate of Public Convenience and Necessity;

WHEREAS, since the filing of the notice, ORS has conducted a review of the technical, managerial, and financial expertise of the Company to provide such services;

WHEREAS, ORS has reviewed the application and the financial data provided by the Company, and ORS has calculated certain performance ratios based upon information provided by the Company;

WHEREAS, ORS has investigated the services to be offered by Neutral Tandem and its intended customer service plans;

WHEREAS, ORS has reviewed the prefiled testimony of Ron Gavillet;

WHEREAS, as a result of its investigations, ORS has determined a) Neutral Tandem intends to offer facilities based and resold non-switched dedicated and private line services throughout the State of South Carolina; b) the officers of Neutral Tandem possess sufficient technical and managerial abilities to adequately provide the services applied for; c) based upon the financial information provided and the analysis performed Neutral Tandem appears to have the financial resources necessary to provide the services proposed in its application; d) Neutral Tandem agrees to file its final tariff with the Commission; e) the services provided by Neutral Tandem will meet the service standards required by the Commission; and f) to the extent it is required to do so by the Commission, Neutral Tandem will participate in the support of universally available telephone service at affordable rates.

WHEREAS, to ensure compliance with the Commission's statutes and regulations, the Parties have agreed to the following comprehensive settlement of all issues in this docket;

WHEREFORE, in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

1) The Parties agree to stipulate into the record before the Commission this Settlement Agreement. The Parties also agree to stipulate to the pre-filed testimony of Neutral Tandem Witness Ron Gavillet who will be presented without cross-examination by ORS;

2) The Parties agree that the Company should be granted a Certificate of Public Convenience and Necessity to provide facilities based and resold local exchange and interexchange telecommunications services within the state of South Carolina;

3) The Company has requested a waiver of 26 S.C. Code Ann. Regs. 103-610 (location of books and records). However, S.C. Code Ann. §58-9-380 (as amended by 2006 Acts No. 318) provides that:

Each telephone utility shall have an office in one of the counties of this State in which its property or some part thereof is located and shall keep in such office all such books, accounts, papers and records as shall reasonably be required by the Office of Regulatory Staff. No books, accounts, papers or records required by the ORS to be kept within the State shall be removed at any time from the State except upon such conditions as may be prescribed by the Office of Regulatory Staff.

ORS is agreeable to allowing the Company to maintain its books and records outside of the State of South Carolina in exchange for the Company agreeing to provide access to the Company's books and records. This provision of the Settlement Agreement shall not be construed as a waiver by ORS of S.C. Code Ann. § 58-4-55 (Supp. 2005) or § 58-9-1070 (as amended by 2006 Acts No. 318). ORS expressly reserves its rights to require the production of books, records and other information located within or outside of the State of South Carolina in order to carry out its duties and compliance with any state or federal regulation;.

4) The Company has requested a waiver of any Commission rules or policies requiring a carrier to maintain its financial records in conformance with the Uniform System of Accounts (“USOA”). The Company, acknowledges that S.C. Code Ann. § 58-9-340 (effective May 24, 2006) provides that the ORS may, in its discretion, and subject to the approval of the Commission, prescribe systems of accounts to be kept by telephone utilities subject to the commission’s jurisdiction and the ORS may prescribe the manner in which the accounts shall be kept and may require every telephone utility to keep its books, papers, and records accurately and faithfully according to the system of accounts as prescribed by the ORS. The Company agrees to keep its books, papers, and records in such a manner that permits ORS to audit its revenues and expenses for compliance with programs such as but not limited to USF and Interim LEC funds and gross receipts. The Company agrees to complete the USF Form, which is attached in its current form as Exhibit 1, and as the form may be amended from time to time;

5) ORS does not oppose the Company’s request for a waiver from 26 S.C. Code Ann. Regs. 103-631 which requires the publication of directories;

6) ORS does not oppose the Company’s request that all of its local telecommunications offerings be regulated as described in its application pursuant to the procedures set out in Commission Order No. 98-165 in Docket No. 1997-467-C and alternative regulation of its long distance business services, consumer card services, operator services, and private line service offerings consistent with Order Nos. 96-1734 and 96-55 as modified by Order No. 2001-997;

7) Neutral Tandem agrees to resell the services of only those interexchange carriers authorized to do business in South Carolina by the Commission;

8) Neutral Tandem agrees that the Company will allow an end-user of resold services to access an alternative interexchange carrier or operator service provider if the end-user expresses such a desire;

9) Neutral Tandem agrees to file necessary financial information with the Commission and ORS for universal service fund reporting, annual reporting and gross receipts to the extent required by law and Commission orders. The parties agree that such reports shall be filed pursuant to ORS instructions and monies shall be remitted in accordance with the directions of ORS and the Commission;

10) In the event that the Company offers prepaid calling card services in the future, Neutral Tandem agrees that it shall post a surety bond in the amount of \$5,000 as required by the South Carolina Public Service Commission (the "Commission");

11) In the event that the Company offers local and long distance services to end users, the Company agrees to comply with the verification regulations governing change of preferred carriers as established by Federal Communications Commission. In addition, in the event that the Company offers local and long distance services to end users, the Company agrees to comply with the marketing practices and guidelines established in Order No. 95-638;

12) Neutral Tandem agrees to comply with South Carolina Code Section § 58-9-300 entitled "Abandonment of Service." Additionally, to the extent applicable, Neutral Tandem agrees to adhere to the Federal Communication Commission rule 47 C.F.R. § 64.1190 and 64.1130 regarding preferred carrier freezes and the requirement that the form of the written authorization for the institution of the freeze be a separate or easily separable document. Prior to abandonment of service, Neutral Tandem shall remove any

preferred carrier freeze so as to enable consumers to seamlessly transfer their telephone numbers to another provider;

13) To the extent necessary, Neutral Tandem agrees to engage in good faith negotiations with non-BellSouth incumbent local exchange carriers whose networks interconnect with BellSouth at the same local tandem regarding traffic exchange;

14) It is understood and agreed that the Company will not initially offer or provide any service that would implicate Title 23, Chapter 47 of the South Carolina Code Annotated regarding "Public Safety Communications Centers," but in the event that the Company in the future offers or provides a service to which Title 23, Chapter 47 of the South Carolina Code regarding "Public Safety Communications Centers," also known as 911 services, the Company agrees to comply with Title 23, Chapter 47 of the South Carolina Code Annotated, which governs the establishment and implementation of a "Public Safety Communications Center," also known as 911 services." At that time, the Company agrees to contact the appropriate authorities regarding 911 services in the counties and cities where the Company will be operating prior to initiating local service in South Carolina and shall provide the 911 coordinator in each county and/or city with information regarding the Company's operations. Attached as Exhibit 2 to this Settlement Agreement is a memorandum from the State 911 Office which provides contact information for the County 911 Coordinators;

15) Neutral Tandem agrees to comply with all rules and regulations of the Commission unless the Commission has expressly waived such rule or regulation;

16) Neutral Tandem agrees to file a final revised tariff in accordance with ORS recommendations as set forth in the summary attached as Exhibit 3 to this

Settlement Agreement with both ORS and the Commission;

17) ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) read in part as follows:

... 'public interest' means a balancing of the following:
(1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
(2) economic development and job attraction and retention in South Carolina; and
(3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the Settlement Agreement reached among the Parties serves the public interest as defined above;

18) The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein;

19) The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair or prejudice their arguments or positions held in other collateral proceedings, nor will it constitute a precedent or evidence of acceptable practice in future proceedings. If the Commission declines to approve the Settlement Agreement in its

entirety, then any Party desiring to do so may withdraw from the Settlement Agreement in its entirety without penalty or obligation;

20) This Settlement Agreement shall be interpreted according to South Carolina law;

21) The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the original signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

SIGNATURE PAGES FOLLOW

WE AGREE:

Representing the Office of Regulatory Staff



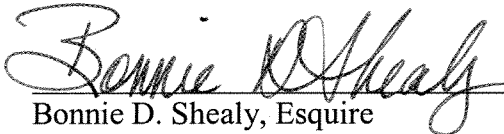
01/18/07

Date

C. Lessie Hammonds, Esquire
Office of Regulatory Staff
Post Office Box 11263
1441 Main Street (Suite 300)
Columbia, SC 29211
Phone: (803) 737-0803
Fax: (803) 737-0895

WE AGREE:

Representing Neutral Tandem –South Carolina, LLC



January 18, 2007

Date

Bonnie D. Shealy, Esquire
Robinson, McFadden & Moore, P.C.
1901 Main Street, Suite 1200
Post Office Box 944
Columbia, South Carolina 29202
Phone: (803) 227-1102
Fax: (803) 744-1551
Email: bshealy@robinsonlaw.com

South Carolina Universal Service Fund Contribution Worksheet

Contributor Identification Information:

101. Legal name of reporting entity: _____

102. IRS employer identification number: _____

103. Name telecommunications service provider is doing business as if different than shown above: _____

104. Complete mailing address of reporting entity:

105. Individual who completed this worksheet: _____

106. Telephone number of individual completing the worksheet: _____

107. E-mail address for individual completing the worksheet: _____

108. Fax number of individual completing the worksheet: _____

109. Address that Universal Service Fund bills should be sent:

110. Contact person at your Company for Universal Service Fund billing questions: _____

111. Telephone number for individual provided in Item 110: _____

112. E-mail address for individual provided in Item 110: _____

South Carolina Universal Service Fund Contribution Worksheet

Certification of Revenues:

113. Revenues:

(a) Total Intrastate End User Operating Revenues in South Carolina for 12 months period ending 12/31/2005: _____

(b) Total Interstate End User Operating Revenues in South Carolina for 12 months period ending 12/31/2005: _____

(c) Total Intrastate and Interstate End User Operating Revenues in South Carolina for 12 months period ending 12/31/2005: _____

114. Certification of Report: I certify that I am an officer of the above named reporting entity, that I have examined the foregoing report and to the best of my knowledge, information, and belief, all of the statements in this Contribution Worksheet are true and that said Worksheet is an accurate statement of affairs of the above named Company for the time period of covered in this report.

Signature: _____ Date: _____

Printed name of Officer signing above: _____

Position of Officer signing above: _____

SWORN TO AND SUBSCRIBED BEFORE ME
this the _____ day of _____, 20____

NOTARY PUBLIC for
My Commission Expires: _____

**South Carolina Universal Service Fund Contribution Worksheet
General Filing Instructions**

Page 1 of 2

Who Must File:

As required by the South Carolina Public Service Commission Order # 2001-996, each carrier must file on an annual basis the information necessary to allow the Administrator to calculate the carrier's contribution.

When and Where to File:

Contribution Worksheets must be sent to:

SC Universal Service Fund Administrator
c/o South Carolina Office of Regulatory Staff
1441 Main St. Suite 300
Columbia, SC 29201

Each Carrier must file on an annual basis the information necessary to allow the Administrator to calculate the carrier's contribution. These filings are due on August 30, 2006, reporting data as of December 31, 2005.

Revenue Reporting General Instructions:

The purpose of this report is to establish the company's Net Universal Service Fund contribution revenue from operations in South Carolina. The reporting format is designed, however, to include all revenues of a company conducting telecommunications operation in South Carolina. Inclusion of non-South Carolina revenues is to assist the Administrator in determining that all revenues have been included in the report and to simplify the audit process. As such, all revenues must be categorized as either End User (retail) from South Carolina operations, End User from non-South Carolina Operations or Carrier's Carrier (wholesale) for USF reporting purposes.

For South Carolina reporting purposes, companies must report booked gross revenues from all sources, including non-regulated and non-telecommunications services on Lines 201 through 217 and these must add to total gross revenues as reported on Line 218.

Reported revenues shall include account set-up, connection, service restoration, termination and other non-recurring charges. These charges should be reported on the same line that the filer reports any associated recurring revenue. For example, an early termination charge for a long distance private line service would be reported as revenue on Line 210. Deposits are not revenue. Gross revenues should include revenues derived from the activation and provision of interstate, international, and intrastate telecommunications and non-telecommunications services. Gross revenues consist of total revenues billed to customers during the filing period with no allowances for uncollectibles, settlements, or out-of-period adjustments. Gross revenues should include collection overages and unclaimed refunds for telecommunications services when not subject to escheats. Gross revenues should not be reported net of related expenditures. Reported revenues should tie directly to the books and records (e.g., general ledger/trial balance) of the reporting entity and not include estimates developed and reported by NECA or other reporting entities. Gross revenues also should include any surcharges on telecommunications services that are billed

to the customer and either retained by the filer or remitted to a non-government third party under contract.

Gross revenues should exclude taxes and any surcharges that are not recorded on the company books as revenues but which instead are remitted to government bodies. Note that any charge included on the customer bill and represented to recover or collect contributions to federal or state universal service support mechanisms must be shown separately on Line 201. Other surcharges treated as revenues should be included in the revenue categories on which the surcharges were levied.

Permissible Exceptions:

An entity is not required to impute or report revenues for services provided to itself or to wholly owned affiliates unless: 1) it is required to record such revenues for some other federal or state regulatory purpose; or 2) the filer is providing service to an affiliate for resale and the affiliate is not a direct universal contributor.

Use of Estimates:

If revenue category breakout cannot be determined directly from corporate books of account or subsidiary records, filers may provide on the Worksheet a good-faith estimate of the breakout. Detailed calculation of any such estimates must accompany the Worksheet and clearly describe all assumption used in their calculation. Filers may not simply report all revenues on one of the "other revenue" lines.

Mergers:

Where two contributors have merged prior to the filing date, the successor company should report total revenues for the reporting period for all predecessor operations. The two contributors, however, should continue to report separately if each maintains separate corporate identities and continue to operate independently. Where an entity obtains, through purchase, merger or transfer, the telecommunications operations or customer base of a telecommunications provider during the calendar year, it must report all telecommunications revenues associated with such operations or customer base including revenues billed in the calendar year prior to the date of acquisition.

South Carolina Universal Service Fund Contribution Worksheet
Worksheet to Determine Reportable Revenues
Line by line Instructions

Page 1 of 4

Line 201 -- Itemized charges levied by the reporting entity in order to recover contributions to state and federal universal service support mechanisms should be reported on Line 201. Any charge that is identified on a bill as recovering contributions to universal service support mechanisms must be shown on Line 201 and should be identified as either interstate or intrastate revenues, as appropriate.

Line 202 -- Monthly service, local calling, connection charges, vertical features, and other local exchange services should include the basic local service revenues except for local private line revenues, access revenues, and revenues from providing mobile or cellular services. This line should include charges for optional extended area service, dialing features, local directory assistance, added exchange services such as automatic number identification (ANI) or teleconferencing, LNP surcharges, connection charges, charges for connecting with mobile service and local exchange revenue settlements.

Line 203 -- Line 203 should include charges to end users specified in access tariffs, such as tariffed subscriber line charges and PICC charges levied by a local exchange carrier on customers that are not presubscribed to an interexchange carrier (*i.e.*, a no-PIC customer). However, Line 203 should not include charges to end users for special access services (which are reported on Line 204). Telecommunications providers that do not have subscriber line charge or PICC tariffs on file with the Commission or who are not reselling such tariffed charges, should report \$0 on Line 203.

Line 204 -- Local private line and special access service should include revenues from providing local services that involve dedicated circuits, private switching arrangements, digital subscriber lines, and/or predefined transmission paths. Line 204 should include revenues from special access lines resold to end users unless the service is bundled with, and charged as part of a toll service, in which case the revenues should be reported on the appropriate toll service line. Report on Line 204 revenues from offering dedicated capacity between specified points even if the service is provided over local area switched ATM or frame relay networks.

Line 205 -- Line 205 should include revenues received from customers paid directly to the payphone service provider, including all coin-in-the-box revenues. Do not deduct commission payments to premises' owners. Note that the revenues associated with access line services (PTAS) provided to payphone service providers as well as the revenues associated with federal subscriber line charges associated with this access line service should be reported as Carrier's Carrier (Wholesale) revenues.

Line 206 -- Other local telecommunications service revenues should include local telecommunications service revenues that reasonably would not be included with one of the other fixed local service revenue categories.

Line 207 -- This line should include revenues (excluding international) from prepaid calling cards provided either to customers or to retail distributors. Revenues should represent the amounts actually paid by customers (face value) and not the amounts paid by distributors or retailers, and should not be reduced or adjusted for discounts provided to distributors or retail establishments. All prepaid card revenues are classified as end-user revenues. For purposes of completing this Worksheet, prepaid card revenues should be recognized when the cards are sold.

South Carolina Universal Service Fund Contribution Worksheet
Worksheet to Determine Reportable Revenues
Line by line Instructions

Page 2 of 4

Line 208 -- Interstate and intrastate operator and toll calls with alternative billing arrangements should include all calling card or credit card calls, person-to-person calls, and calls with alternative billing arrangements such as third-number billing and collect calls that both originate or terminate in a U.S. point. This line should include all charges from interstate and intrastate toll or long distance directory assistance. All revenues from international calls should be reported on line 217. Line 211 should include revenues from all calls placed from all coin and coinless, public and semi-public, accommodation and prison telephones, except that calls that are paid for via prepaid calling cards should be included on Line 207 and calls paid for by coins deposited in the phone should be included on Line 205.

Line 209 -- Ordinary long distance and other switched toll services should include all long distance message revenues except for amounts reported on Lines 205, 207, 211, or 216. Line 209 should include ordinary message telephone service (MTS), WATS, subscriber toll-free, 900, "WATS-like," and similar switched services. This category includes most toll calls placed for a fee and should include flat monthly charges billed to customers, such as account maintenance charges, PCCC pass-through charges, package plans giving fixed amounts of toll minutes, and monthly minimums. However, where customers are charged single rate for a combined local and long distance service, all revenues for such service should be reported on Line 202.

Line 210 -- Long distance private line service should include revenues from dedicated circuits, private switching arrangements, and/or predefined transmission paths, extending beyond the basic service area. Line 210 should include frame relay and similar services where the customer is provided a dedicated amount of capacity between points in different basic service areas. Any revenues from international service should be excluded here and reported on line 216.

Line 211 -- All other long distance services (excluding international) should include all other revenues from providing long distance communications services. Line 211 should include toll conferencing. Line 211 should include switched data, frame relay and similar services where the customer is provided a toll network service rather than dedicated capacity between two points.

212 -- Universal service support revenues should include all amounts that filers receive as universal service support from either states or the federal government. Line 212 should include as revenues Lifeline Assistance reimbursement for the waived portion of subscriber line, presubscribed interexchange carrier charges or credits for subsidized services provided to schools, libraries, and rural health care providers. Line 212 should include amounts received as cash as well as amounts received as credit against contribution obligations. Line 212 should not include any amounts charged to customers to recover universal service or similar contributions.

Line 213 -- Include revenues from the provision of broadband (including DSL and cable TV Program transmissions) services. These revenues are excluded from the calculation of Net Universal Service Fund revenue.

Line 214 -- Data reported on this line should contain mobile service revenues other than toll charges to mobile service customers. Charges associated with mobile service provided to resellers should not be included on this line. For services provided to end users, Line 214 should contain monthly charges, activation fees, service restoration, and service order processing charges, etc.

South Carolina Universal Service Fund Contribution Worksheet
Worksheet to Determine Reportable Revenues
Line by line Instructions

Page 3 of 4

End-user prepaid wireless service revenues attributable to activation and daily or monthly access charges should be reported on Line 214.

Line 215 -- Message charges, including any roaming charges assessed on customers for calls placed out of customers' home areas and local directory assistance charges. End-user prepaid wireless service revenues attributable to airtime should be reported on Line 215. Itemized toll charges to mobile service customers should be included in the Lines 210, 211 or 216, as appropriate.

Line 216 -- Line 216 should include all revenues derived from the provision of international communications services. International services are defined as any call which originates or terminates at a point outside of the United States, regardless of its transmission path.

217 -- Line 217 should include all non-telecommunications service revenues on the reporting entity's books, as well as some revenues that are derived from telecommunications-related functions, but that should not be included in the universal service or other fund contribution bases. For example, information services offering a capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available information via telecommunications are not included in the universal service or other fund contribution bases. Information services do not include any use of any such capability for the management, control, or operation of a telecommunications system or the management of a telecommunications service. Information services also are called enhanced services because they are offered over transmission facilities used in interstate communications and employ computer processing applications that act on the format, content, code, protocol, or similar aspects of the subscriber's transmitted information; provide the subscriber additional, different, or restructured information; or involve subscriber interaction with stored information. For example, call moderation and call transcription services are information services. These services are exempt from contribution requirements and should be reported on Line 217. Line 217 should include revenues from published directory and carrier billing and collection services. Line 217 should include revenues from the sale, lease, installation, maintenance, or insurance of customer premises equipment (CPE). Line 217 should include inside wiring charges and inside wiring maintenance insurance. Line 217 should include the sale or lease of transmission facilities, such as dark fiber or bare transponder capacity, that are not provided as part of a telecommunications service or as a UNE. Line 217 should include pole attachment revenues. Line 217 should include revenues from providing open video systems (OVS), cable leased access, and direct broadcast satellite (DBS) services. Line 217 should include late payment charges and charges (penalties) imposed by the company for customer checks returned for non-payment. Line 217 should not include any revenues from the provision of broadband (including DSL and cable TV Program transmissions) services. All revenues from the provision of broadband services should be reported on Line 213.

Line 219 -- Reflects the gross amount includable in Net Universal Service Fund contribution revenue. This number is the total of Lines 201 through 211.

Line 220 -- Show the uncollectible revenue/bad debt expense associated with gross billed revenues amounts reported on Line 218. This should be the amount reported as bad debt expense in the filer's income statement for the year. Note that it will include uncollectibles associated with all revenue on the filer's books (Line 218), covering carrier's carrier revenues, end-user telecommunications revenues and revenues reported on Lines 212 through 217. The contributor's

South Carolina Universal Service Fund Contribution Worksheet
Worksheet to Determine Reportable Revenues
Line by line Instructions

Page 4 of 4

uncollectible revenues/bad debt expense should be calculated in accordance with Generally Accepted Accounting Principles. Thus, uncollectibles should represent the portion of gross billed revenues that the contributor reasonably expects will not be collected. Note that uncollectibles may not include any amounts associated with unbillable revenues. Filers that operate on a cash basis should report \$0 on this line.

Line 221 -- Show the portion of the uncollectible revenue/bad debt expense reported on Line 220 that is associated with just the universal service contribution base amounts reported on Line 219. Filers that maintain separate detail of uncollectibles by type of business should rely on those records in determining the portion of gross uncollectibles reported on Line 220 that should be reported on Line 221. Filers that do not have such detail should make such assignments in proportion to reported gross revenues. Filers must be able to document how the amounts reported on Line 221 relate to the uncollectible revenue/bad debt expense associated with gross billed revenues reported on Line 219.

South Carolina State USF Fund
Worksheet to Determine Reportable Revenues
Year Ending 12/31/2005

Gross South Carolina Revenues From All Sources (Telecommunications and Nontelecommunications)

201 - Surcharges or other amounts on bills identified as recovering both state and federal Universal Service contributions

Fixed local services:

202 - Monthly service, local calling, connect charges, vertical features, and other local exchange service charges. Except for federally tariffed subscriber line charges.

203 - PICC charges levied by a local exchange carrier on a no-PIC customer and tariffed subscriber line charges.

204 - Local private line and special access service

205 - Payphone revenues

206 - Other local telecommunications service revenues

Toll services:

207 - Prepaid calling card (including card sales to customers and non-carrier distributors but excluding international calling) reported at face value of cards.

208 - Interstate and intrastate operator and toll calls with alternate billing arrangements (credit card, collect, , etc.)

209 - Ordinary interstate and intrastate long distance (direct-dial MTS, customer toll-free 800/888 service, "10-10" calls, associated monthly account maintenance, PICC pass-through, and other switched services not reported above

210 - Long distance private line services (excluding international)

211 - All other long distance services (excluding international)

[illegible]

**South Carolina State USF Fund
Worksheet to Determine Reportable Revenues
Year Ending 12/31/2005**

Gross South Carolina Revenues From All Sources (Telecommunications and Nontelecommunications)

Revenues from all other sources:

212 - Universal service support received from federal and state sources (both USF and Interim LEC Funds)

213 - Revenues from provision of broadband (including DSL and cable TV Program transmission) services

214 - Monthly service and activation charge revenues from mobile (including wireless telephony, paging and messaging and other mobile services) services

215 - Mobile service message charges including roaming, but excluding toll charges

216 - International operator and toll calls, international calling card sales, international private line services and any other international services

217 - Revenues from other than telecommunications services, including, but not limited to: Information services, inside wiring maintenance, billing and collection, customer premises equipment, published directory, and dark fiber

218 - Gross revenues from all sources (Lines 201 through 217)

A	B	C	D
End User (Retail) South Carolina Intrastate	End User (Retail) Outside of South Carolina Interstate	Carrier's Carrier (Wholesale)	Total

South Carolina State USF Fund Contribution Revenue:

219 - Total Gross universal service contribution base amounts - Lines 201 through 211

220 - Uncollectible revenue/bad debts expense associated with gross revenue amounts on Line 218

221 - Uncollectible revenue/bad debts expense associated with universal service contribution amounts on Line 219

**222 - Net Universal Service Fund contribution base revenue
(Line 219 minus Line 221)**

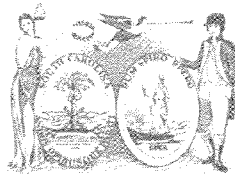
STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF RESEARCH & STATISTICS

Exhibit 2

MARK SANFORD, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

RICHARD ECKSTROM
COMPTROLLER GENERAL



HUGH K. LEATHERMAN, SR.
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO
EXECUTIVE DIRECTOR

REMBERT C. DENNIS BUILDING
1000 ASSEMBLY STREET, SUITE 425
COLUMBIA, SOUTH CAROLINA 29201

Bobby Bowers
DIRECTOR

August 2, 2004

To: Telephone Companies New to South Carolina

In an effort to continue providing quality emergency services to the citizens of South Carolina, the State 911 Office requests that before beginning telephone services in a county, you contact the 911 Coordinator in that county. This will allow both parties to obtain important information about providing 911 services in that county. If you have already begun services, then contact the coordinator as soon as possible.

A list of County 911 Coordinators can be found on the South Carolina E911 homepage at www.ors.state.sc.us/digital/E-911.ASP. If you have any questions related to 911 in South Carolina, you may contact E911 Coordinations at the Office of Research and Statistics at 803-734-3883. The person responsible for this can also be found on the 911 homepage. Please be aware that some cities may have their own E911 systems, these are also listed on the 911 homepage. These city coordinators will need to be contacted in addition to the county coordinators.

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EXHIBIT 3

Neutral Tandem – South Carolina, LLC Docket No. 2006-329-C

1.1 - Original Sheet 6 through Original Sheet 9

Neutral Tandem will add the terms “ORS” for the South Carolina Office of Regulatory Staff and “Commission” for the Public Service Commission of South Carolina.

2.7.3 – Deposits – Original Sheet 15

Neutral Tandem will delete the language in this subsection and replace it with a subsection that mirrors S.C. Reg. 103-621.

2.8.5 – Insufficient Fund Checks – Original Sheet 18 – “Customers will be charged on all checks issued to the Company which are returned due to insufficient funds, at a rate not to exceed the statutory allowed amount. At the discretion of the Company, the insufficient funds check charge may be waived under appropriate circumstances (e.g. a bank error)”.

Neutral Tandem will delete the highlighted section and replace it with the following language: “the amount allowable by applicable state law as contained in S.C. Code Section 34-11-70.”

2.9.1 – Taxes and Fees - Original Sheet 18

Neutral Tandem will delete “gross receipts tax” from this subsection.

2.9.2 – Taxes and Fees - Original Sheet 18

Neutral Tandem will delete “gross receipts tax” and “regulatory fee” from this subsection.

2.9.4 - Original Sheet 18 – “The Company may adjust its rates or impose additional rates on its customer to recover amounts it is required by governmental or quasi-governmental authorities to collect to cover the administrative cost of collecting such charges or paying compensation to other entities. Examples of such programs include, but are not limited to, the Universal Service Fund (USF), the Presubscribed Interexchange Carrier Charge (PICC), and compensation to pay telephone service providers for the use of their pay telephones to access the Company’s services”.

Neutral Tandem will remove language which suggests that it may recover the administrative costs of funding programs through additional rates via a line item basis unless specifically authorized by the Public Service

Commission of South Carolina. It will also delete the language regarding recovery of payphone compensation administrative costs.

2.10 – Unauthorized Carrier Change Charge - Original Sheet 19

Neutral Tandem will delete this section.

2.11 – Unauthorized Service Change Charge - Original Sheet 19

Neutral Tandem will delete this section.

Customer Complaints

Neutral Tandem will also add a tariff section which addresses recourse for customer complaints which includes its toll free number and mailing address for consumers to make the initial contact and the following language:

If the Customer and the Company are unable to resolve the dispute to their mutual satisfaction, the Customer may file a complaint with the Consumer Services Division of the South Carolina Office of Regulatory Staff. The address and contact numbers are listed below:

Office of Regulatory Staff
State of South Carolina
Consumer Services Division
P.O. Box 11263
Columbia, SC 29211
Telephone Number -803-737-5230
Toll Free Number – 1-800-922-1531
Fax Number – 803-737-4750

Marketing Statement

Neutral Tandem will add a tariff section which contains the following marketing statement:

As a telephone utility under the regulation of the Public Service Commission of South Carolina, the Company does hereby assert and affirm that as a provider of intrastate telecommunications service, the Company will not indulge or participate in deceptive or misleading telecommunications marketing practices to the detriment of consumers in South Carolina, and the Company will comply with those marketing procedures, if any, set forth by the Public Service Commission. Additionally, the Company will be

responsible for the marketing practices of its contracted telemarketers for compliance with this provision. The Company understands that violation of this provision could result in a rule to Show Cause as to the withdrawal of its certification to complete intrastate telecommunications traffic within the State of South Carolina.

Separate Tariffs

Neutral Tandem will file two tariffs which separate its local exchange offering and its interexchange offering.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2006-329-C

IN RE:


Application of Neutral Tandem-South Carolina,)	
LLC for a Certificate of Public Convenience and)	CERTIFICATE
Necessity to Provide Local Exchange and)	OF SERVICE
Interexchange Telecommunication Services in South)	
Carolina and for Flexible and Alternative Regulation)	

This is to certify that I, Pamela J. McMullan, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Bonnie D. Shealy, Esquire
Robinson, McFadden & Moore, P.C.
Post Office Box 944
Columbia, SC 29202

Patrick D. Crocker, Esquire
Early, Lennon, Crocker & Bartosiewicz, P.L.C.
9000 Comerica Building
Kalamazoo, MI 49007

Margaret M. Fox, Esquire
South Carolina Telephone Coalition
McNair Law Firm, P.A.
Post Office Box 11390
Columbia, SC, 29211



Pamela J. McMullan

January 18, 2007
Columbia, South Carolina